

Interim report for Q3 2021/22 (1 January - 31 March 2022)

Significant revenue and EBITDA growth

The growth trend continued in the third quarter of 2021/22, and ChemoMetec generated revenue of DKK 111.9 million, a 60% increase on the year-earlier period. The increase was mainly driven by considerable growth in the North American market and high growth rates within cell-based therapy. EBITDA amounted to DKK 58.6 million in the third quarter, an 86% increase compared with the same period of 2020/21. The EBITDA margin was 52%.

Highlights

- Revenue amounted to DKK 111.9 million in the third quarter, a 60% increase on the year-earlier period.
- Much of the revenue improvement was due to an 82% increase in the North American market, which during the period accounted for 56% of ChemoMetec's total revenue.
- Revenue in ChemoMetec's core business area, Life science research, Cell-based therapy and Bioprocessing (LCB), increased by 67% in the third quarter to account for 93% of the overall revenue.
- EBITDA increased to DKK 58.6 million in the third quarter, up 86% from DKK 31.6 million in the year-earlier period. The EBITDA margin for the quarter was 52%, against 45% in the same period last year.
- As the global raw materials supply situation is not expected to affect ChemoMetec's supply capability in terms of finished goods in the current financial year, we maintain our full-year guidance for 2021/22, most recently raised on 12 April 2022.
- The global component shortages have, however, impacted our coming new product, XcytoMatic. While the development stage of XcytoMatic was nearly completed at the end of the third quarter, the instrument unfortunately cannot be put into production yet due to global supply restraints. However, Management hopes and expects that we will be able to start producing XcytoMatic in the autumn of 2022 and commence sales shortly thereafter.

Current situation regarding COVID-19 and global supplies of raw materials, including the war in Ukraine

The challenges relating to COVID-19 abated during the first quarter as restrictions were gradually lifted across ChemoMetec's markets. However, the spread of the Omicron variant caused a general increase in sickness absence during the period, affecting most of ChemoMetec's departments.

The global raw materials supply situation continues to cause problems, and the war in Ukraine has augmented the uncertainty.

Despite those factors as well as considerable revenue growth, ChemoMetec was able to maintain production, quality control and logistics functions at a satisfactory level and was therefore able to provide delivery of the usual high quality of products without any significant delays.

Ensuring reliable product deliveries was ChemoMetec's number one priority in the past quarter, and all departments contributed to this end. This meant that several internal projects, including development projects, were allocated fewer resources, which naturally resulted in delays of those projects.

ChemoMetec continually seeks to build substantial inventories of a number of raw materials and components, while also concluding framework agreements with key suppliers. However, lead times are growing ever longer, especially for electronic components, causing ongoing challenges in ensuring the necessary inventory build-up of certain critical components.

Our overall assessment is that uncertainty relating to COVID-19 is easing significantly while uncertainty persists regarding future supplies of components for ChemoMetec's products.

Revenue and EBITDA performance

Revenue in the third quarter of 2021/22 was up 60%, from DKK 69.7 million in the year-earlier period to DKK 111.9 million. Revenue grew by 59% in the first three quarters from DKK 202.7 million to DKK 321.7 million. The increase, which was significantly larger than expected, was mainly driven by increased sales to North American customers within cell-based therapy.

Instrument sales were up 76% to DKK 56.1 million in the third quarter. Sales of the NC-202 cell counter developed as planned and more than doubled. For the NC-200 cell counter, sales outperformed expectations at the beginning of the financial year. The strong NC-200 revenue performance was mainly driven by a substantial momentum experienced by existing NC-200 customers as they reach new milestones in their submissions for FDA approval of cell-based therapy products. The further these customers proceed in the approval process, the more NC-200 instruments they will need to move forward.

Sales of consumables, comprising disposable cassettes, slides, reagents and test kits, grew by 34% to DKK 39.0 million in the third quarter to account for 35% of revenue.

Sales of services, including service contracts, also performed satisfactorily. In the third quarter, sales of services amounted to DKK 15.9 million, a 110% year-on-year increase. Revenue from services now accounts for 14% of total revenue. Service contracts are only sold to customers in the LCB market and relate to the NC-200 and NC-202 instruments and, to a lesser extent, the NC-250 and NC-3000. The company still sells most of its service contracts in the US market.

The 60% overall third quarter revenue growth was driven by 82% growth in the USA/Canada, 27% growth in Europe and 75% growth in the rest of the world (RoW).

In the European market, revenue grew to DKK 32.8 million from DKK 25.9 million in the year-earlier period. In light of unusually strong growth in the same period last year, this is considered satisfactory. The revenue growth was mainly driven by sales of instruments and services, which were up by 32% to DKK 16.5 million and by 52% to DKK 3.6 million, respectively.

ChemoMetec's largest geographical market is the USA/Canada, which accounted for 56% of revenue in the third quarter. Revenue in the USA/Canada grew to DKK 62.6 million from DKK 34.4 million in the year-earlier period. This very strong performance was mainly driven by sales of analytical instruments, which more than doubled from DKK 14.4 million to DKK 29.1 million. At 140%, the highest percentage increase was seen in sales of services, however. In the third quarter, revenue in the North American market was favourably affected by an approximate 7.5% appreciation of the USD/DKK exchange rate.

In the rest of the world, revenue rose to DKK 16.5 million from DKK 9.4 million in the year-earlier period. This improvement was driven by a 107% increase in sales of instruments to DKK 10.5 million and a 40% increase in sales of consumables to DKK 5.7 million. The two primary markets in RoW are China and Japan, accounting for 41% and 19%, respectively.

In the first nine months (Q1-Q3), revenue grew by a total of 59%. The revenue growth was driven by 83% growth in the USA/Canada, 27% growth in Europe and 56% in the rest of the world.

Revenue broken down by product segment and geography in the third quarter and in the first nine months of 2021/22

DKK'000	Europe	USA/Canada	RoW	2021/22	2020/21
				Q3 Total	Q3 Total*
Instruments	16,484	29,127	10,479	56,090	31,941
Consumables	12,424	20,847	5,712	38,983	29,193
Services	3,568	12,218	146	15,932	7,601
Other	362	383	116	861	973
Total	32,838	62,575	16,453	111,866	69,708

*Comparative figures have been restated using the methodology applied in the 2020/2021 Annual Report (see p. 67). Accordingly, Installations have been reclassified from "Other" to "Services", and licences and spare parts have been reclassified from "Other" to "Instruments".

DKK'000	Europe	USA/Canada	RoW	2021/22 Q1-Q3 Total	2020/21 Q1-Q3 Total*
Instruments	48,380	94,136	27,945	170,461	100,089
Consumables	34,653	56,189	14,643	105,485	79,623
Services	9,961	32,197	376	42,534	20,400
Other	999	1,928	272	3,199	2,578
Total	93,993	184,450	43,236	321,679	202,690

*Comparative figures have been restated using the methodology applied in the 2020/2021 Annual Report (see p. 67). Accordingly, Installations have been reclassified from "Other" to "Services", and licences and spare parts have been reclassified from "Other" to "Instruments".

The largest business area, LCB, saw 67% revenue growth in the third quarter. As was the case in the first two quarters of the financial year, the improvement was mainly driven by a significant increase in sales of instruments. Sales to customers working with cell-based therapy remains the key growth driver of the LCB business.

The LCB business area accounted for 93% of total revenue, semen analysis accounted for 6%, while the other business areas together accounted for just over 1%.

Revenue broken down by product segment and business area in the third quarter and in the first nine months of 2021/22

DKK'000	LCB market	Production and quality control of animal semen	Production con- trol of beer and quality control of milk	2021/22 Q3 Total	2020/21 Q3 Total*
Instruments	54,509	1,499	82	56,090	31,941
Consumables	32,630	5,033	1,320	38,983	29,193
Services	15,932	-	-	15,932	7,601
Other	774	66	21	861	973
Total	103,845	6,598	1,423	111,866	69,708

*Comparative figures have been restated using the methodology applied in the 2020/2021 Annual Report (see p. 67). Accordingly, Installations have been reclassified from "Other" to "Services", and licences and spare parts have been reclassified from "Other" to "Instruments".

DKK'000	LCB market	Production and quality control of animal semen	Production control of beer and quality control of milk	2021/22 Q1-Q3 Total	2020/21 Q1-Q3 Total*
Instruments	165,478	3,751	1,232	170,461	100,089
Consumables	87,793	14,514	3,178	105,485	79,623
Services	42,534	-	-	42,534	20,400
Other	2,877	243	79	3,199	2,578
Total	298,682	18,508	4,489	321,679	202,690

*Comparative figures have been restated using the methodology applied in the 2020/2021 Annual Report (see p. 67). Accordingly, Installations have been reclassified from "Other" to "Services", and licences and spare parts have been reclassified from "Other" to "Instruments".

EBITDA increased to DKK 58.6 million in the third quarter, up from DKK 31.6 million in the year-earlier period, corresponding to an increase of 86%. Costs in the third quarter were generally higher than in the year-earlier period, mainly due to higher capacity costs and raw materials prices caused by the challenging supply chain situation. Costs did not rise to the same extent as revenue, however, and the EBITDA margin thus rose to 52% from 45% in the year-earlier period.

Despite the rising prices of a number of components, ChemoMetec has decided for the time being not to introduce price increases on its products.

EBITDA in the first nine months was DKK 174.5 million, for an EBITDA margin of 54% compared with DKK 98.7 million and 49% in the year-earlier period.

The number of full-time employees in the third quarter was 148, up from 131 in the year-earlier period.

Product development

During the period, the R&D department was affected by COVID-19-related sickness absence. Furthermore, the department rendered substantial assistance to the production department, among other things to secure adequate supplies of raw materials for existing products.

Product development efforts in the third quarter primarily focused on completing the development of XcytoMatic. Despite the above-mentioned challenges, the development of XcytoMatic was close to completion at the end of the third quarter. Unfortunately, however, the instrument cannot be put into production for the time being due to global supply restraints and resulting component shortages.

As it is currently uncertain when supplies will reach a satisfactory level, ChemoMetec is not able at this time to give a clear indication of when XcytoMatic is expected to be released for sale. However, unless the situation deteriorates, Management hopes and expects that we will be able to put XcytoMatic in production in the autumn of 2022 and commence sales shortly thereafter.

IPR and licence agreements

At the end of the quarter, ChemoMetec was not aware of any opposition proceedings against the company's patents. At the end of the quarter, ChemoMetec had 17 patent families, from which 73 patents had been taken out in selected countries, including 16 in the USA.

Outlook for 2021/22

Based on developments of the first nine months of the financial year 2021/22 and the forecast for the remaining quarter, we maintain our full-year guidance for 2021/22, which we most recently raised on 12 April 2022. Thus, revenue for 2021/22 is expected to be in the DKK 420-425 million range, with EBITDA in the DKK 218-221 million range.

For further information, please contact

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The English version of the Interim Report for Q3 2021/22 (1 January to 31 March 2022) is a translation of the original Danish report. The original Danish report is the governing text for all purposes, and in case of any discrepancy, the Danish wording will be applicable.

About ChemoMetec A/S

ChemoMetec develops, manufactures and markets instruments for cell counting and a wide range of other measurements. ChemoMetec's instruments are marketed to the pharmaceutical, biotech and agricultural industries worldwide. ChemoMetec's customers include some of the world's leading pharmaceutical companies, such as Novartis, Novo Nordisk, H. Lundbeck, Merck, AstraZeneca and Johnson & Johnson.

ChemoMetec was founded in 1997 and is listed on the Nasdaq Copenhagen stock exchange. For more information, go to www.chemometec.com